

Polski Bank Komórek Macierzystych (FamiCord)

European leader in stem-cell banking

Polski Bank Komórek Macierzystych (PBKM) continues its consolidation efforts in the cord-blood banking in Europe. It holds a c 40% share of the European stem-cell banking market in terms of processed cord blood samples. The market is expected to grow at a double-digit rate globally (Grand View Research) through increased penetration of the service. PBKM has been also involved in 10 clinical trials in stem-cell research, acts as a contract manufacturing organisation and runs a one-day clinic.

Merger with Vita 34

PBKM is merging with Vita 34, the leader in stem-cell banking in Germany. The transaction is performed through an exchange offer that values PBKM's shares at €22.48 (a 23% premium to the current share price). PBKM's majority shareholder (AOC Health, 62.4%) also holds a significant stake in Vita 34 (36%) and Vita 34 is technically acquiring PBKM. Importantly, both companies have similar business models and the overlap in the respective European markets is limited. The combined entity will store biological material belonging to over 650k families and will have over 45% market share in newly acquired samples in Europe, which places it among the top three players in the industry globally. PBKM intends to continue its international expansion through acquisitions.

Double digit top-line growth continues

PBKM's revenues grew at a 16% CAGR in 2014–2020, predominantly driven by acquisitions, reaching €40.1m in FY20 (and €60.2m pro forma for the merged entity). PBKM's bottom line continues to be affected by acquisition and integration costs, which dampens its margins. In H121 PBKM reported an EBITDA loss (FY20: 10% profit margin) and adjusted EBITDA profit margin of 12% (FY20: 14%), whereas Vita 34's adjusted margin was 29% (FY20: 29%). According to PBKM, the merger should also allow for cost synergies, which are estimated at c €3.1m pa.

Growth prospects and strategy

PBKM focuses on a subscription-based sales model that generates recurring income, whereas most acquisition targets (including Vita 34) operate on an upfront payments model. The business model adjustment in acquired companies, together with integration costs, creates short-term pressure on margins, but translates into more stable cashflow generation in the long run. PBKM intends to continue its stem-cell R&D endeavours, as the clinical expertise and ability to support its customers in need is an important competitive advantage. The R&D projects (including CAR-T) may also act as value catalyst if any products are approved.

Consensus estimates*

Year end	Revenue (PLNm)	EBITDA (PLNm)	EPS (PLN)	DPS (PLN)	P/E (x)	Yield (%)
12/19	188.0	28.2	2.66	0.00	32.3	0.0
12/20	211.3	22.0	0.26	0.00	323.1	0.0
12/21e	235.5	29.5	0.72	0.00	116.7	0.0
12/22e	259.0	39.9	1.58	0.00	53.2	0.0

Source: Refinitiv. Note: *Forecasts of one analyst from Trigon DM.

Pharma & biotech

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Price **PLN94.0**
Market cap **PLN878m**

H121 avg: PLN4.5366/€; H120 avg: PLN4.4159/€

Share price graph



Share details

Code	BKM
Shares in issue	9.2m
Net cash at 30 June 2021	PLN72.3m

Business description

Polski Bank Komórek Macierzystych (PBKM) operates a group of stem cell banks under the FamiCord Group brand. The company is the largest industry player in Europe, operating in 16 European countries and further c 15 regions are serviced through partnership agreements – including Middle East, Hong Kong and the US. It develops stem cell therapy for the treatment of numerous diseases, including amyotrophic lateral sclerosis.

Bull

- Clear sector leader.
- Business model based on subscriptions securing stable cashflow generation.
- Ongoing R&D projects are potential value catalysts.

Bear

- The reduced client trust following the default of one of the market leaders persists in some target markets.
- Offline selling and marketing channels disrupted due to COVID-19 pandemic.
- Rapid inorganic growth and integration costs affecting short-term profitability.

Analysts

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